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UNITED CORPORATIONS LIMITED

ANNUAL REPORT 1981



DIRECTORS

IAN A. BARCLAY
Vancouver
G. DRUMMOND BIRKS
Montreal
A. GEORGE DRAGONE
Toronto
JAMES V. EMORY
Toronto
JOCK K. FINLAYSON
Toronto
KENNETH S. HOWARD, Q.C.
Montreal
HENRY N. R. JACKMAN
Toronto
CLIFFORD S. MALONE
Toronto
DONALD J. MIANO
Toronto
MARTIN H. SIEGERMAN
Toronto
IAN S. STEERS
London, England
ALAN E. TARR
Winnipeg

OFFICERS

J. V. EMORY
President
H. M. SIEGERMAN
Vice-President
R. A. M. SMITH, C.A.
Vice-President,
Secretary and Treasurer
P. A. SMALLMAN
Assistant Treasurer

Auditors

Price Waterhouse & Co.

Transfer Agent

Montreal Trust Company.
Shares transferable at Montreal, Toronto, Halifax,
Winnipeg, Regina, Calgary and Vancouver.

Registrar


The Royal Trust Company.

Head Office

Suite 2990, South Tower
Royal Bank Plaza
Toronto, Ontario. M5J 2J2

Shares Listed

First Preferred, Second Preferred (1959 and 1963 Series) and Common shares are listed on the Montreal and Toronto Stock Exchanges.



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UNITED CORPORATIONS LIMITED

TO THE SHAREHOLDERS:

Your directors take pleasure in presenting the 49th Annual Report of your company for the fiscal year ended March 31, 1981.

Summary

The fiscal year just ended was by far the most successful in your company's history with all facets of our operations reaching new highs by a considerable margin.

The rate of return on investment for the common shares during the year, before provision for capital gains taxes, exceeded 56%, which is comparable to a rate of return of 34.7% provided by the Toronto Stock Exchange Index. After provision for capital gains taxes the rate of return was just under 50%. However, as is noted later in this report, all of the above figures cover the period from the bottom of the sizeable market decline which occurred in March of last year and could therefore be unrealistic in projecting future results.

Inflation and numerous political and economic uncertainties contributed to a high level of volatility in capital markets, making for a difficult operating environment. We anticipate that inflation and the efforts on the part of the monetary authorities to control it, without, in Canada at least, much help from fiscal policy, will continue to dominate the investment scene.

Despite the strong stock market advance of the last three years, we believe that equities still represent good value so that a portfolio of well-selected common stocks should continue to provide an attractive real rate of return over and above inflation given a reasonable period of time. However, investors should be prepared to live with volatile markets.

The Year in Review

The Toronto Stock Exchange Index rose 29.8% during the twelve months to the end of March, 1981, but it must be remembered that the end of March, 1980, marked the bottom of a sizeable market decline which took place in that month. That decline was recaptured by the end of July and the Index was able to achieve a new all-time high early in December. However, it subsequently suffered another decline, has not yet been able to pene-

trate the December high and has essentially remained in a trading range for the last seven months.

As has already been noted, the year was characterised by a high degree of volatility as financial markets reacted to numerous shocks: inflation remained in double digits: interest rates rose to record high levels: the Canadian dollar remained under pressure: most commodities suffered exceptionally wide price swings: international tensions continued: the Carter administration was defeated and the Reagan administration introduced a new, boldly conceived, economic policy, the ultimate consequences of which remain in doubt: the Canadian political arena, after surviving the Quebec referendum, became increasingly engrossed with the Federal Government's highly controversial policies with respect to energy and the constitution. The fact that the market was able to record a very respectable performance in the face of all these apparent problems demonstrates the underlying values which were and, in our judgment, continue to be available in the stock market.

Financial Statements

(see pages 4 to 12)

At the end of March, 1981, our net equity value per common share, as defined in Note 6 to the Financial Statements, was \$54.52. This was an increase of 50.4% over the corresponding figure of \$36.25 at the end of the previous fiscal year and was a new high by a very considerable margin. The March, 1981, figure was after provision for dividends totalling \$1.30 per share to which more detailed reference is made later in this report.

Net income for the year amounted to \$5,186,659 compared to \$4,080,860 last year. After provision for dividends on the preferred shares, net income available for the common shares was \$4,808,304, equal to \$1.35 per share, as against the previous year's \$3,702,505 or \$1.05 per share. In order to provide consistency with prior years, the fiscal 1981 figure was arrived at on an equity accounting basis. This had the effect of eliminating from reported income the non-recurring dividend of \$853,452 received from United Bond & Share, to which

UNITED CORPORATIONS LIMITED

reference was made in previous quarterly reports, and replacing it with the net profit of that company applicable to the year. The 1981 figure was a new high for the company.

Operating expenses, excluding interest, at \$345,659, were up moderately from \$296,556 last year but represented only 0.19% of year-end net assets for the common shares, the lowest such ratio in the history of the company.

Operations for the year generated net realized gains on the sale of investments of \$24,049,692 after provision for refundable capital gains taxes of \$8,020,089, bringing the cumulative total for net realized gains on investments as shown in the Statement of Surplus to \$98,281,633. In addition, unrealized appreciation in the value of investments increased during the year by \$32,875,638 to the year-end total of \$76,137,863 set out in the Statement of Net Assets. No provision has been made in the financial statements for possible capital gains taxes on realization of that unrealized appreciation nor has a potential recovery of \$12,954,190 in refundable capital gains tax been recorded in the accounts.

Dividends

Regular dividends at the rate of \$1.50 per share were declared and paid on both classes of preferred shares during the year.

Dividends on the common shares totalled \$1.30 per share, a very sizeable increase over last year's figure of 87.5 cents per share. The fiscal 1981 total consisted of regular quarterly dividends at the rate of 22.5 cents per share for an aggregate of 90 cents per share, an extra dividend of 10 cents per share declared in April, 1980, an extra dividend of 20 cents per share declared in October, 1980, resulting from the non-recurring dividend received from United Bond & Share, and an extra dividend of 10 cents per share declared and paid in March, 1981.

At their April, 1981, meeting your directors declared a regular quarterly dividend of 27.5 cents per share, an increase from the previous quarterly rate of 22.5 cents

per share. This establishes a new regular annual rate of \$1.10 per share compared to the previous regular rate of 90 cents per share.

Portfolio of Investments

The detailed portfolio of investments held by your company as of March 31, 1981, is set out on pages 7 to 9 and summary statements of net assets showing changes in portfolio weightings and the degree of leverage applied to our capitalization at the end of each of the last six years are on page 13.

Long-Term Record of Investment Results

(see pages 14 and 15)

The historical record of the company's investment results, which in previous Annual Reports covered the period from its inception in 1933, has been reduced this year to cover only the last thirty years. As can be seen, every area of our operations was at a new high at the end of fiscal 1981.

Subsidiary and Associated Companies

As was reported in the September 30, 1980, quarterly report, United Bond & Share Limited was sold to its senior officers as of that date. Details of the transaction are set out in Note 2 to the Financial Statements. Because the sale involved only those assets of United Bond & Share directly related to its investment management operations, all assets of an investment nature were either sold to third parties or transferred to United and its new wholly-owned subsidiary, UNC Holdings Limited, prior to its completion. The accumulated surplus as of that date, which amounted to \$853,452, largely resulting from investment operations, was paid to United in the form of a dividend. As of October 1, 1980, United and United Bond & Share under its new ownership entered into a contract under which the latter will continue to provide United with full management services. The fee for those management services has been set at a level which should maintain United's operating expenses at approximately the same low ratio to its net assets as was the case in fiscal 1981. The transaction had the effect of freeing United from any liability for

commitments arising from the continued expansion of the outside investment management operations of United Bond & Share and returning it to its true role as an investment company. Overall it should have little or no effect on your company's future operations.

The Interior Trust Company, owned equally with The Royal Bank of Canada, was sold at a small profit at the end of January, 1981, after distribution of its remaining surplus in the form of a dividend. It will be remembered that Interior Trust was never activated as a trust company. However, its investment operations resulted in dividends totalling \$542,500 on an investment of \$281,625 being received by United Bond & Share during the period of its 50% ownership of Interior.

Outlook

As was noted earlier in this report, the Canadian Stock Market has remained essentially in a trading range for the last seven months during which it has been faced with record high levels of interest rates and continued economic and political uncertainties. We currently anticipate some easing of political pressures in the areas of energy and the constitution in coming weeks and at least a moderate economic upturn later in 1981 which should take us into 1982 on a rising note. If these forecasts prove reasonably correct, given the values which continue to exist in the stock market, we have a reasonable degree of confidence that the ultimate break-out from the current trading range will be on the upside.

General

It is with regret that we report the resignation during the year of William P. Wilder as a director. His resignation resulted from his appointment as a director of The Royal Bank of Canada which resulted in the number of bank

directors on our board exceeding the limit permitted under the Bank Act. Although Mr. Wilder had only been appointed to our board in 1979, he made a very real contribution to it during his unfortunately short tenure of office and will be missed. We are pleased that A. G. Dragone of Toronto, who is the Managing Director of Economic Investment Trust Limited, has been appointed to fill the vacancy.

On a more personal note, it is with considerable nostalgia that I must inform you that this will be my last report to shareholders in the capacity of President and Chief Executive Officer, a position which I have held since 1962 after first joining the company in 1953. My normal retirement date is September 1, 1981, but present plans call for me to relinquish my position at the board meeting immediately following the Annual Meeting in July, at which time it is proposed that H. N. R. Jackman will become Chairman and President. However, I expect to maintain an association with the company for a period of time to come as a director.

On behalf of the Directors,

J. V. Emory
President

May 14, 1981

UNITED CORPORATIONS LIMITED

CONSOLIDATED STATEMENT OF NET ASSETS

March 31

	1981	1980
Assets:		
Portfolio investments, at market value (average cost — 1981 — \$117,705,828; 1980 — \$97,843,309)	\$193,922,428	\$141,105,534
Other investments (Note 3)	1,836,900	1,836,420
	<u>195,759,328</u>	<u>142,941,954</u>
Cash and temporary cash investments	9,244,870	2,653,431
Accrued income on investments	661,705	302,751
Due from brokers	154,667	778,983
	<u>205,820,570</u>	<u>146,677,119</u>
Liabilities:		
Accrued interest payable	133,671	134,588
Due to brokers	244,753	520,237
Other accounts payable	33,076	29,867
Income taxes payable	8,266,096	4,292,101
	<u>8,677,596</u>	<u>4,976,793</u>
Bank loan	—	1,657,040
Income debenture (Note 4)	8,000,000	8,000,000
	<u>16,677,596</u>	<u>14,633,833</u>
Net assets	<u>\$189,142,974</u>	<u>\$132,043,286</u>
Represented by:		
Stated capital (Note 5) —		
First Preferred	52,237	—
Second Preferred	—	200,000
Common	—	2,877,480
	<u>52,237</u>	<u>200,000</u>
	—	687,093
	<u>52,237</u>	<u>200,000</u>
	<u>3,564,573</u>	<u>3,564,573</u>
	<u>13,033,662</u>	<u>13,033,662</u>
Surplus —		
Retained income	1,689,816	1,515,458
Accumulated net realized gains on investments	98,281,633	74,231,941
	<u>99,971,449</u>	<u>75,747,399</u>
Unrealized appreciation in value of investments	76,137,863	43,262,225
	<u>\$189,142,974</u>	<u>\$132,043,286</u>

APPROVED BY THE BOARD:

H. N. R. Jackman, Director

J. V. Emory, Director

See notes to financial statements.

**CONSOLIDATED STATEMENT
OF NET INCOME**

	Year ended March 31	
	1981	1980
NET INCOME:		
Income —		
Dividends	\$ 4,943,654	\$ 4,527,988
Interest	<u>1,392,635</u>	<u>440,538</u>
	6,336,289	4,968,526
Expenses —		
Management fees	200,791	155,000
Directors' remuneration	50,375	42,750
Fees and expenses of trustee, registrar and transfer agents	32,622	35,196
Taxes other than income taxes	2,523	1,934
Legal and audit fees	29,033	22,234
Office and miscellaneous expenses	30,315	39,442
Interest on bank loan	<u>25,622</u>	<u>44,038</u>
	371,281	340,594
Interest on income debenture	<u>704,383</u>	<u>642,329</u>
	1,075,664	982,923
Income before income taxes	5,260,625	3,985,603
Foreign taxes withheld	31,796	10,216
Provision for income taxes	<u>353,402</u>	<u>100,835</u>
	385,198	111,051
	4,875,427	3,874,552
Equity in net income of United Bond & Share Limited (Note 2)	311,232	206,308
NET INCOME	<u>\$ 5,186,659</u>	<u>\$ 4,080,860</u>
Net income per common share	<u>\$1.35</u>	<u>\$1.05</u>

See notes to financial statements.

UNITED CORPORATIONS LIMITED

CONSOLIDATED STATEMENT OF SURPLUS

	Year ended March 31	
	1981	1980
RETAINED INCOME:		
Balance at beginning of year	\$ 1,515,458	\$ 895,117
Net income	5,186,659	4,080,860
	<u>6,702,117</u>	<u>4,975,977</u>
Dividends:		
First preferred shares	78,355	78,355
Second preferred shares	300,000	300,000
Common shares (per share 1981 — \$1.30; 1980 — 87.5¢)	4,633,946	3,082,164
	<u>5,012,301</u>	<u>3,460,519</u>
Balance at end of year	<u>\$ 1,689,816</u>	<u>\$ 1,515,458</u>
ACCUMULATED NET REALIZED GAINS ON INVESTMENTS:		
Balance at beginning of year	\$ 74,231,941	\$ 62,564,627
Net gain on investments sold during the year —		
Proceeds from sale of investments	76,260,895	58,996,046
Investments at cost at beginning of year	97,843,309	82,485,511
Investments purchased during year	64,272,008	58,495,873
Investments at cost at end of year	(117,705,828)	(97,843,309)
Cost of investments sold	44,409,489	43,138,075
	<u>31,851,406</u>	<u>15,857,971</u>
Less: Income taxes on net taxable gains on sale of investments (Note 7)	7,965,496	4,190,657
Net gain on portfolio investments sold	23,885,910	11,667,314
Gain on sale of investment in United Bond & Share Limited, net of income taxes thereon of \$50,000 (Note 2)	150,000	—
Gain on sale of investment in The Interior Trust Company, net of income taxes thereon of \$4,593	13,782	—
Net gain on investments sold	24,049,692	11,667,314
Balance at end of year	<u>\$ 98,281,633</u>	<u>\$ 74,231,941</u>

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Year ended March 31	
	1981	1980
Net assets at beginning of year	\$132,043,286	\$107,286,577
Add (deduct) changes during year —		
Net income	5,186,659	4,080,860
Proceeds from issue of common shares	—	570,639
Net gain on investments sold	24,049,692	11,667,314
Increase in unrealized appreciation in value of investments	32,875,638	11,898,415
Dividends	(5,012,301)	(3,460,519)
Net assets at end of year	<u>\$189,142,974</u>	<u>\$132,043,286</u>

See notes to financial statements.

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT MARCH 31, 1981

No. of Shares or par value		Average cost	Quoted market value	% of Net Assets
Banks				
137,842	Bank of Montreal	\$ 3,493,563	\$ 4,324,792	
140,100	The Bank of Nova Scotia	2,839,779	4,273,050	
250,760	The Royal Bank of Canada	3,660,386	7,930,284	
98,098	The Toronto-Dominion Bank	1,799,665	3,457,955	
		<u>11,793,393</u>	<u>19,986,081</u>	10.57
Trust, Savings & Loan				
283,025	National Trust Company, Limited	5,841,092	6,509,575	3.44
Publishing & Printing				
111,500	Harlequin Enterprises Limited	311,945	3,108,063	
50,000	Thomson Newspapers Limited	1,103,197	1,150,000	
		<u>1,415,142</u>	<u>4,258,063</u>	2.25
TV & Radio				
132,100	Maclean-Hunter Limited Class X	529,633	1,519,150	
132,100	Maclean-Hunter Limited Class Y	529,633	1,519,150	
		<u>1,059,266</u>	<u>3,038,300</u>	1.61
Distilleries				
41,640	The Seagram Company Ltd.	2,049,194	2,717,010	1.44
Manufacturing				
93,600	ATCO Ltd. I	844,391	772,200	
46,800	ATCO Ltd. II	422,195	409,500	
178,500	Consumers Glass Company Limited	883,341	3,079,125	
10,000	I.T.L. Industries Limited 6 $\frac{1}{2}$ % Conv. Pfd. Series "B"	250,000	165,000	
166,000	Jannock Limited Warrants Class A	1,214,028	1,328,000	
112,500	Magna International Inc. Class A	836,625	1,504,688	
		<u>4,450,580</u>	<u>7,258,513</u>	3.84
Chemicals				
22,000	Du Pont Canada Inc.	486,059	715,000	.38
Aluminum				
226,600	Alcan Aluminium Limited	5,270,946	9,993,060	5.28
Asbestos				
117,100	United Asbestos Inc.	696,111	1,229,550	.65
Coal				
212,500	Pilgrim Petroleum Inc.	550,000	1,030,625	.54
Copper				
28,000	Afton Mines Ltd.	752,957	1,515,500	
27,275	Lornex Mining Corporation Ltd.	1,552,111	1,745,600	
51,900	Noranda Mines Limited	758,134	1,569,975	
228,300	Placer Development Limited	3,831,550	5,878,725	
231,932	Teck Corporation Class B	1,349,219	4,493,683	
		<u>8,243,971</u>	<u>15,203,483</u>	8.04

UNITED CORPORATIONS LIMITED

CONSOLIDATED STATEMENT OF INVESTMENTS (continued)

No. of Shares or par value		Average cost	Quoted market value	% of Net Assets
Gold & Silver				
47,700	Bachelor Lake Gold Mines Inc.	\$ 166,950	\$ 231,345	
10,000	Camflo Mines Limited	297,123	367,500	
23,900	Dome Mines Limited	524,186	2,449,750	
24,300	Equity Silver Mines Limited	773,752	978,075	
43,800	Kiena Gold Mines Limited	1,090,250	930,750	
80,775	Lake Shore Mines, Limited	1,998,408	2,140,538	
215,300	Quebec Sturgeon River Mines Limited	1,618,158	1,044,205	
31,000	Sigma Mines (Quebec) Limited	754,218	1,050,125	
16,000	United Keno Hill Mines Limited	636,084	554,000	
		<u>7,859,129</u>	<u>9,746,288</u>	5.15
Nickel				
24,500	Falconbridge Nickel Mines Limited Class A	1,269,293	2,744,000	
55,077	Great Lakes Nickel Limited Options	1,620	8,262	
		<u>1,270,913</u>	<u>2,752,262</u>	1.46
Miscellaneous Metals				
42,208	Canada Tungsten Mining Corporation Limited	714,521	1,677,768	
107,100	Campbell Resources Inc.	1,962,832	2,044,539	
		<u>2,677,353</u>	<u>3,722,307</u>	1.97
Oil & Gas Producers				
\$ 375,000	Argyll Resources Ltd. 10% Conv. Aug. 20, 1983	375,000	346,163	
\$1,118,500	Bow Valley Resource Service Ltd. 11% Conv. March 1, 2001	1,185,000	1,078,350	
118,500	Bow Valley Resource Service Ltd.	1,510,875	1,185,000	
98,000	Husky Oil Ltd.	852,906	1,617,000	
85,800	Merland Explorations Limited	802,978	697,125	
\$ 200,000	Seaward Resources Floating Rate Conv. June 30, 1982 ...	200,000	206,340	
79,200	Sulpetro Limited Class B	1,771,199	1,890,900	
54,900	Trinity Resources Ltd.	718,016	933,300	
850,000	Warren Explorations Limited	650,000	3,230,000	
100,000	Westmount Resources Ltd.	675,000	712,500	
150,000	Windsor Resources Inc.	600,000	1,245,000	
75,000	Windsor Resources Inc. Wts.	—	303,750	
		<u>9,340,974</u>	<u>13,445,428</u>	7.11
Oil & Gas Servicing				
133,800	Bralorne Resources Limited	596,844	2,374,950	
10,000	Okanagan Helicopters Ltd. 8% Conv. Pfd. A (\$10.00 par) ..	100,000	95,000	
20,000	Okanagan Helicopters Ltd.	294,043	300,000	
41,800	OPI Ltd. Class A	604,828	1,577,950	
171,550	Trimac Limited Class A	2,318,467	8,041,406	
40,900	Turbo Resources Limited	626,467	1,380,375	
		<u>4,540,649</u>	<u>13,769,681</u>	7.28
Paper & Forest Products				
62,000	Doman Industries Limited	644,667	643,250	
47,900	MacMillan Bloedel Limited	1,933,347	2,311,175	
		<u>2,578,014</u>	<u>2,954,425</u>	1.56

CONSOLIDATED STATEMENT OF INVESTMENTS (continued)

No. of Shares or par value		Average cost	Quoted market value	% of Net Assets
Gas Transmission				
810,000	Nova, An Alberta Corporation	\$ 6,229,665	\$ 9,922,500	5.25
Oil Transmission				
61,300	Trans Mountain Pipe Line Company Ltd.	770,466	720,275	.38
Real Estate & Construction				
153,975	Bramalea Limited	2,330,673	3,233,475	
8,000	The Cadillac Fairview Corporation Limited	194,202	242,000	
209,350	Daon Development Corporation	2,295,233	2,643,044	
		4,820,108	6,118,519	3.23
Steel				
60,000	The Algoma Steel Corporation, Limited	2,268,417	2,850,000	
65,350	Dofasco Inc. Class A	2,020,099	3,161,305	
28,320	Interprovincial Steel and Pipe Corporation Ltd.	509,414	977,040	
81,200	Ivaco Inc.	1,356,589	2,030,000	
214,000	Stelco Inc. Class A	8,321,523	8,292,500	
67,500	Stelco Inc. Pfd. C	1,969,835	1,991,250	
		16,445,877	19,302,095	10.21
Transportation				
257,559	Algoma Central Railway	4,233,281	5,795,094	
17,300	Canadian Pacific Limited	342,669	841,212	
180,500	Laidlaw Transportation Limited Class A	520,668	1,850,125	
180,500	Laidlaw Transportation Limited Class B	520,668	1,714,750	
		5,617,286	10,201,181	5.39
Miscellaneous				
199,200	CAE Industries Ltd. Class A	1,182,734	5,428,200	
60,600	Finning Tractor & Equipment Company Limited	667,538	2,181,600	
47,480	National Sea Products Limited Class A	408,814	534,150	
4,218	Solartech Limited	200,000	200,000	
		2,459,086	8,343,950	4.41
American Securities				
72,406	Docutel Corporation	1,329,192	2,303,958	
61,310	Inexco Oil	1,565,035	1,860,146	
53,200	Knogo Corporation	722,231	976,220	
20,000	Mark Products, Inc.	411,887	1,228,400	
104,100	M.D.C. Corporation	513,082	554,853	
188,000	Texas International Company	2,731,326	8,903,680	
60,000	Union Oil Company of California	2,056,210	2,797,200	
		9,328,963	18,624,457	9.85
British Securities				
320,000	London and Manchester Assurance Company Limited	1,665,341	2,124,800	1.12
Corporate Bonds				
\$ 250,000	International Harvester Credit Corporation 10.25% Sept. 1, 1981	246,250	235,000	.12
Total Portfolio Investments		\$117,705,828	\$193,922,428	102.53%
Temporary Cash Investments		9,030,319	8,951,582	4.73
Other Liabilities (net)		(13,731,036)	(13,731,036)	(7.26)
Net Assets		\$113,005,111	\$189,142,974	100.00%

UNITED CORPORATIONS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 1981

1. Summary of accounting policies:

(a) Principles of consolidation —

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, UNC Holdings Limited, which commenced operations in August, 1980. The present purpose of the subsidiary is to acquire joint venture interests in petroleum and natural gas exploration and development.

(b) Portfolio investments —

Portfolio investments are carried at quoted market value which is determined from published last sales prices on national securities exchanges at March 31, 1981. When no quoted market is available, the market value of any investment is determined by the directors of the Corporation.

No provision has been made for deferred income taxes that would be payable if the investments had been disposed of on March 31, 1981 at the quoted market prices on that date. If such realization had taken place, any taxes payable on the resulting capital gains would be refundable on distribution of these gains as explained in Note 7.

(c) Other investments —

The investments in Atlantis Resources Ltd. and its joint ventures are carried at the lower of cost and net realizable value.

(d) Dividend and interest income —

Dividend income is recognized on the ex-dividend date and interest income is recognized as earned.

(e) Foreign exchange —

The average cost of investments other than Canadian is the cost thereof translated into Canadian dollars at the rate of exchange prevailing at the time of purchase. The market value of such investments at March 31, 1981 has been translated into Canadian dollars at the exchange rate prevailing as at that date.

2. Sale of United Bond & Share Limited:

Effective September 30, 1980, United Bond & Share Limited, a wholly-owned subsidiary, was sold to certain directors and officers of the Corporation for an aggregate consideration of \$350,000. Prior to this sale, certain assets of United Bond & Share Limited were transferred at book value to the Corporation and its wholly-owned subsidiary, UNC Holdings Limited. These assets included investments in Atlantis Resources Ltd. and its joint ventures and a 50% interest in The Interior Trust Company.

The sale of United Bond & Share Limited has been accounted for as follows:

Proceeds		\$ 350,000
Investment in and advances to subsidiary at beginning of year (Note 3)	\$1,836,420	
Add: Net income of subsidiary for the six months ended September 30, 1980, of which \$82,636 represents net income from management fees	311,232	
	2,147,652	
Deduct: Repayment of advances and dividend of \$853,452 received from subsidiary	1,997,652	150,000
Gain on sale		200,000
Less: Income taxes thereon		50,000
Net gain on sale		<u>\$ 150,000</u>

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3. Other investments:

Other investments consist of the following —

	March 31	
	1981	1980
Shares in Atlantis Resources Ltd.	\$ 236,900	\$ —
Interest in Atlantis Resources joint ventures	1,500,000	—
Promissory note receivable September 30, 1981	100,000	—
Shares in and advances to United Bond & Share Limited, at cost plus equity in accumulated earnings ..	—	1,836,420
	<u>\$1,836,900</u>	<u>\$1,836,420</u>

4. Income debenture:

The income debenture is due August 1, 1986 and is repayable in whole or in part at the option of United Corporations Limited on 30 days' notice. This debenture bears interest at a variable rate determined in relation to the prime lending rate. At March 31, 1981 the rate was 10.125%.

5. Stated capital:

The classes of shares and, where applicable, the maximum number of shares that the Corporation is authorized to issue are as follows:

- (a) 52,237 First Preferred Shares without nominal or par value are redeemable at \$30.00 each;
- (b) 200,000 Second Preferred Shares without nominal or par value, issuable in series of which Second Preferred Shares (i) 80,290 shares are designated \$1.50 Cumulative Redeemable Second Preferred Shares, 1959 Series and are redeemable at \$30.00 each and (ii) 119,710 shares are designated \$1.50 Cumulative Redeemable Second Preferred Shares, 1963 Series and are redeemable at \$31.50 each;
- (c) Third Preferred Shares without nominal or par value, issuable in series. The maximum number of Third Preferred Shares that may be outstanding at any time shall be that number of which the stated value does not exceed \$15,000,000; and
- (d) an unlimited number of Common Shares without nominal or par value.

In accordance with the provisions of the employees' stock option plan as amended, options to purchase 2,900 common shares are outstanding and 66,290 common shares are reserved for further options. The options outstanding are exercisable at an average price of \$14.12 and expire on January 13, 1982.

6. Net equity value of the Corporation's common shares:

The net equity value of the Corporation's common shares is determined by adding the total amount of refundable capital gains tax on hand (Note 7) to the net assets and deducting from the resulting total the outstanding preferred shares at their cost of

**NOTES
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redemption. Net equity value per common share is the net equity value divided by the number of common shares outstanding.

	March 31	
	1981	1980
Net assets	\$189,142,974	\$132,043,286
Add:		
Refundable capital gains tax on hand at end of year	12,954,190	4,935,824
	<u>202,097,164</u>	<u>136,979,110</u>
Deduct:		
Cost of redemption —		
First preferred shares	1,567,110	1,567,110
Second preferred shares	6,179,565	6,179,565
	<u>7,746,675</u>	<u>7,746,675</u>
Net equity value	<u>\$194,350,489</u>	<u>\$129,232,435</u>
Net equity value per common share	<u>\$54.52</u>	<u>\$36.25</u>

7. Income taxes:

The Corporation qualifies as an investment corporation under Section 130 of the Income Tax Act — Canada. As such, dividends received from taxable Canadian corporations are not taxed while other income is taxed at reduced rates.

Taxes on capital gains are refundable if the Corporation elects to distribute such gains by way of capital gains dividends to its shareholders. The Corporation has refundable capital gains tax on hand of \$12,954,190 at March 31, 1981. This potential recovery has not been recorded in the Corporation's accounts.

AUDITORS' REPORT

To the Shareholders of United Corporations Limited:

We have examined the consolidated financial statements of United Corporations Limited for the year ended March 31, 1981 which appear on pages 4 to 12 inclusive. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position and investments of the Corporation as at March 31, 1981 and the results of its operations and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, May 14, 1981

Price Waterhouse & Co.
Chartered Accountants

UNITED CORPORATIONS LIMITED

SUMMARY STATEMENTS OF NET ASSETS (all investments at market)

Portfolio —	1981 March 31st	1980 March 31st	1979 March 31st	1978 March 31st	1977 March 31st	1976 March 31st
Cash, etc., Short Term Notes & Bonds	\$ 10,296,242	\$ 3,735,165	\$ 2,596,475	\$ 6,924,806	\$ 1,234,300	\$ 6,352,602
Less: Liabilities	<u>8,677,596</u>	<u>4,976,793</u>	<u>1,215,073</u>	<u>583,981</u>	<u>284,550</u>	<u>57,109</u>
Net Reserves	1,618,646	(1,241,628)	1,381,402	6,340,825	949,750	6,295,493
Common Stocks	189,805,325	140,795,534	112,394,754	72,541,465	74,223,540	70,745,042
Convertibles	<u>3,882,103</u>	<u>310,000</u>	<u>1,356,887</u>	<u>2,142,475</u>	<u>1,601,912</u>	<u>1,194,150</u>
Total Portfolio Investments and Cash	195,306,074	139,863,906	115,133,043	81,024,765	76,775,202	78,234,685
Investment in and advances to Subsidiary and Affiliated Companies	<u>1,836,900</u>	<u>1,836,420</u>	<u>1,659,654</u>	<u>1,804,440</u>	<u>1,839,275</u>	<u>1,840,810</u>
Net Assets available for investment	197,142,974	141,700,326	116,792,697	82,829,205	78,614,477	80,075,495
Less: Bank loan and income Debenture	<u>8,000,000</u>	<u>9,657,040</u>	<u>9,506,120</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>
Total Net Assets	<u>\$189,142,974</u>	<u>\$132,043,286</u>	<u>\$107,286,577</u>	<u>\$ 74,829,205</u>	<u>\$ 70,614,477</u>	<u>\$ 72,075,495</u>
Capitalization —						
Senior Capital at Redemption Prices: —						
First Preferred Shares	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110	\$ 1,567,110
Second Preferred Shares	<u>6,179,565</u>	<u>6,179,565</u>	<u>6,179,565</u>	<u>6,179,565</u>	<u>6,179,565</u>	<u>6,179,565</u>
Total Senior Capital	7,746,675	7,746,675	7,746,675	7,746,675	7,746,675	7,746,675
Net Assets for Common Shares* ..	<u>181,396,299</u>	<u>124,296,611</u>	<u>99,539,902</u>	<u>67,082,530</u>	<u>62,867,802</u>	<u>64,328,820</u>
	<u>\$189,142,974</u>	<u>\$132,043,286</u>	<u>\$107,286,577</u>	<u>\$ 74,829,205</u>	<u>\$ 70,614,477</u>	<u>\$ 72,075,495</u>
*Percentage of Common Stocks & Convertibles to Net Assets for Common Shares	106.8%	113.5%	114.3%	111.3%	120.6%	111.8%

UNITED CORPORATIONS LIMITED

LONG TERM RECORD OF INVESTMENT RESULTS

Statement of Net Assets

Year	Net Assets for Common Shares Market Value		Accumulated Refundable Capital Gains Tax on Hand		Net Equity for Common Shares Market Value		Unrealized Appreciation	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
1952	\$ 15,792,833	\$ 5.48	\$ —	\$ —	\$ 15,792,833	\$ 5.48	\$ 5,692,307	\$ 1.97
1953	15,662,967	5.44	—	—	15,662,967	5.44	5,379,986	1.87
1954	21,733,761	7.55	—	—	21,733,761	7.55	10,339,864	3.60
1955	25,747,806	8.94	—	—	25,747,806	8.94	11,992,312	4.16
1956	25,170,984	8.74	—	—	25,170,984	8.74	8,618,470	2.99
1957	22,000,526	7.64	—	—	22,000,526	7.64	4,316,341	1.50
1958	28,814,158	10.01	—	—	28,814,158	10.01	10,363,184	3.60
1959	34,220,894	10.02	—	—	34,220,894	10.02	7,782,523	2.28
1960	33,624,014	9.85	—	—	33,624,014	9.85	6,486,398	1.90
1961	40,375,693	11.77	—	—	40,375,693	11.77	11,041,155	3.22
1962	37,892,527	11.01	—	—	37,892,527	11.01	8,775,317	2.55
1963	44,574,262	12.84	—	—	44,574,262	12.84	14,383,693	4.15
1964	55,113,905	15.87	—	—	55,113,905	15.87	21,331,213	6.14
1965	58,370,387	16.80	—	—	58,370,387	16.80	22,125,068	6.37
1966	55,408,872	15.94	—	—	55,408,872	15.94	14,874,697	4.28
1967	67,010,142	19.11	—	—	67,010,142	19.11	20,045,656	5.72
1968	77,183,680	21.98	—	—	77,183,680	21.98	23,288,187	6.63
1969	71,022,217	20.20	—	—	71,022,217	20.20	11,649,889	3.32
1970	63,455,575	18.05	—	—	63,455,575	18.05	7,304,669	2.08
1971	65,654,757	18.67	—	—	65,654,757	18.67	11,393,557	3.24
1972	79,010,506	22.43	9,920	—	79,020,426	22.47	21,474,093	6.11
1973	76,011,552	21.61	138,399	0.03	76,149,951	21.64	16,103,897	4.58
1974	74,710,661	21.23	215,479	0.06	74,926,140	21.29	12,325,057	3.50
1975	63,927,510	18.14	215,479	0.06	64,152,989	18.21	263,167	0.07
1976	64,328,820	18.26	215,479	0.06	64,544,289	18.32	3,430,129	0.98
1977	62,867,802	17.84	215,479	0.06	63,083,281	17.90	1,077,002	0.31
1978	67,082,530	19.04	215,479	0.06	67,298,009	19.10	9,421,294	2.67
1979	99,539,902	28.25	741,146	0.21	100,281,048	28.47	31,363,810	8.90
1980	124,296,611	34.86	4,935,824	1.38	129,232,435	36.25	43,262,225	12.14
1981	181,396,299	50.89	12,954,190	3.63	194,350,489	54.52	76,137,863	21.36

(a) Common Share figures have been adjusted to reflect subdivisions of 4 for 1 in April, 1953 and 3 for 1 in June, 1964.

(b) Figures in brackets denote red figures.

(c) For the three months ending March 31, 1973.

Statement of Net Income and Surplus

								Operating Expenses Before Interest and Taxes as a Percentage of Net Assets for Common Shares		
Net Realized Capital Gains (Losses) After Taxes		Net Income Available for Common Shares		Common Dividends Declared						
				Out of Capital		Out of Income				
Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share	Total	%	Year
\$ 1,169,466	\$0.41	\$ 612,980	\$0.21	\$ —	\$ —	\$ 599,475	\$0.21	\$ 72,186	0.46	..... 1952
167,059	0.06	638,850	0.22	—	—	623,454	0.22	83,124	0.53	..... 1953
1,082,987	0.38	699,341	0.24	—	—	671,412	0.23	91,038	0.42	..... 1954
2,348,630	0.82	732,337	0.25	—	—	719,370	0.25	91,440	0.36	..... 1955
2,785,558	0.97	778,790	0.27	—	—	767,328	0.27	103,470	0.41	..... 1956
1,064,583	0.37	834,416	0.29	—	—	767,328	0.27	111,113	0.51	..... 1957
636,177	0.22	897,941	0.31	—	—	767,328	0.27	106,672	0.37	..... 1958
2,426,184	0.71	845,173	0.25	—	—	863,244	0.30	113,060	0.33	..... 1959
644,825	0.19	1,080,482	0.32	—	—	1,023,562	0.30	158,548	0.47	..... 1960
2,108,673	0.62	1,074,576	0.31	—	—	1,083,277	0.32	152,566	0.38	..... 1961
(329,562)	(0.09)	1,145,036	0.33	—	—	1,089,975	0.32	155,156	0.41	..... 1962
1,223,254	0.35	1,025,784	0.30	—	—	1,157,791	0.33	148,494	0.33	..... 1963
3,588,064	1.03	1,284,223	0.37	—	—	1,284,214	0.37	155,680	0.28	..... 1964
2,363,628	0.68	1,503,104	0.43	—	—	1,423,745	0.41	163,928	0.28	..... 1965
4,010,780	1.15	1,664,295	0.48	—	—	1,389,999	0.44	165,166	0.30	..... 1966
6,051,175	1.72	1,740,530	0.50	—	—	1,601,039	0.46	182,561	0.27	..... 1967
7,685,656	2.19	1,700,009	0.48	—	—	2,523,508	0.72	226,717	0.29	..... 1968
6,445,802	1.83	1,865,674	0.53	1,053,262	0.34	1,827,503	0.48	277,012	0.39	..... 1969
(2,108,632)	(0.60)	1,981,177	0.56	1,230,555	0.36	1,863,413	0.52	303,083	0.48	..... 1970
(394,428)	(0.11)	1,669,008	0.47	1,406,349	0.42	1,757,937	0.48	272,948	0.42	..... 1971
4,117,838	1.17	1,723,962	0.49	878,968	0.25	1,687,619	0.48	268,995	0.34	..... 1972
3,275,975 (c)	0.93 (c)	374,400 (c)	0.11 (c)	879,368 (c)	0.25 (c)	421,905 (c)	0.12 (c)	68,585 (c)	0.36 (d)	..... 1973
2,310,949	0.66	1,996,086	0.56	—	—	1,829,086	0.52	270,578	0.36	..... 1974
833,466	0.24	2,790,691	0.79	—	—	2,392,243	0.68	256,619	0.40	..... 1975
(2,892,770)	(0.82)	2,522,400	0.72	—	—	2,395,282	0.68	265,712	0.41	..... 1976
1,171,444	0.33	2,115,947	0.60	—	—	2,395,282	0.68	285,184	0.45	..... 1977
(4,069,379)	(1.15)	2,335,097	0.66	—	—	2,395,282	0.68	271,132	0.40	..... 1978
10,432,044	2.96	2,478,094	0.70	—	—	2,395,282	0.68	280,018	0.28	..... 1979
11,667,314	3.27	3,702,505	1.05	—	—	3,082,164	0.875	296,556	0.24	..... 1980
24,049,692	6.75	4,808,304	1.35	—	—	4,633,946	1.30	345,659	0.19	..... 1981

(d) Annualized.

